



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



MAY 4 2004

The Honorable Duncan Hunter
Chairman, Committee on Armed Services
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

In accordance with statute, I am notifying you of the Department's intent to transfer \$13.852 million of Air Force family housing construction improvement funds into the Department of Defense Family Housing Improvement Fund. These funds will finance a family housing privatization project at Offutt Air Force Base, Nebraska.

A description of the proposed project is enclosed. Representatives of the Air Force are available to provide any additional information you or your staff may desire.

A similar letter is being sent to the Chairmen and Ranking Members of the other congressional defense committees.

Sincerely,

David L. Norquist
Acting

Enclosure:
As stated

cc: The Honorable Ike Skelton
Ranking Member

MILITARY HOUSING PRIVATIZATION INITIATIVE AIR FORCE PROJECT SUMMARY

INSTALLATION:

Offutt Air Force Base (AFB), Nebraska (NE)

SCOPE:

The project involves a real estate transaction with the Successful Offeror (SO) under which the Government will convey the entire inventory of 2,600 existing housing units along with certain associated improvements, and lease approximately 640 acres of land. In exchange, the SO shall plan, design, develop, renovate, demolish, construct, own, operate, maintain, and manage a rental housing development, including all paving and drainage, as well as any utilities conveyed to or constructed by the developer for a period of 50 years. After the Air Force conveys the 2,600 family housing units, the SO will demolish 1,903 units, construct 1,558 replacement units, conduct major renovations on 326 units and conduct minor renovations on 371 units for a total end state of 2,255 privatized units. The 345 housing units being demolished without replacement are surplus housing units no longer required. The privatized units will be designated for occupancy for E-1 through O-10. The rent for the housing units will not exceed the Basic Allowance for Housing (BAH) at the dependent rate for the designated military pay grade minus an amount sufficient to cover 110% of average estimated utility cost.

The Air Force competitively solicited for the project and selected a developer in February 2004. The total development cost will be \$366.4 million. The Air Force will provide a \$120.8 million direct second mortgage loan. The credit subsidy scored amount to support the second mortgage loan is \$12.0 million. The SO will obtain a private sector first mortgage loan and invest his own funds to finance the difference between the total development cost and the amount of the second mortgage loan provided by the Air Force.

The units will be made available for rent by Air Force families on a preferential basis. The agreement will provide service members the opportunity to occupy quality housing that is safe and affordable. The rent and utility costs will not exceed the members Basic Allowance for Housing (BAH) under this transaction.

No Army and Air Force Exchange Service (AAFES), Defense Commissary Agency (DeCA) or Moral Welfare Recreation (MWR)/Services activities will be affected by this privatization initiative and the land lease will preclude the SO from having any revenue generating activities that compete with AAFES, DeCA, or MWR/Services.

AUTHORIZATION:

10 U.S.C. Section 2872a, Utilities and services. The government will provide utilities, fire fighting and protection services, and police protective services.

10 U.S.C. Section 2873, Direct loans and loan guarantees. The government will provide a direct second mortgage loan to the SO.

10 U.S.C. Section 2878, Conveyance or lease of existing property and facilities. Housing units will be conveyed and land will be leased to the SO as part of this project.

10 U.S.C. Section 2880, Unit size and type. The housing to be renovated and constructed as part of this project will be similar to that found in the local community.

10 U.S.C. Section 2881, Ancillary supporting facilities. No conflict with AAFES, DeCA or nonappropriated fund activities. Ancillary facilities will include a community center, with an indoor lounge, community rooms, common kitchen, business center, pool complex, and exercise club; playgrounds; athletic fields; bus shelters; and a jogging trail/bike path.

10 U.S.C. Section 2882, Assignment of members of the armed forces to housing units. Military members will pay BAH minus an allowance for utilities to the SO by allotment.

10 U.S.C. Section 2883, Department of Defense Housing Funds. A transfer of appropriated funds to the DoD Family Housing Improvement Fund will be required.

JUSTIFICATION:

This project will provide military families access to safe, quality, affordable housing.

FUNDS REQUIRED:

The total scored amount from this solicitation is \$12.0 million, to support the \$120.8 million direct loan. The total amount of funding being transferred at this time is \$13.852 million. The remaining \$1.852 million will be used to finance future Air Force privatization projects.

SOURCE OF AVAILABLE FUNDS:

The Air Force will finance this project using funds previously authorized and appropriated for a FY2001 family housing improvement project at Offutt AFB.

<u>Fiscal</u>			
<u>Year</u>	<u>Location</u>	<u>Description</u>	<u>Amount</u>
FY 2001	Offutt AFB, NE	Family Housing Improvement	\$13.852 million